

Central Intelligence Agency

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Annotated

Washington, D.C. 20505

## DIRECTORATE OF INTELLIGENCE

17 April 1985

Taiwan: Looking Toward the Future [ ]

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## Summary

As Taiwan enters its fourth decade of Kuomintang (Nationalist Party-KMT) rule, it faces a series of domestic and foreign problems that have created an atmosphere of political frustration and uncertainty, among both the ruling mainland elite and native Taiwanese. [ ]

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Domestic Concerns

President Chiang Ching-kuo [ ] has been frustrated in his attempts to construct a viable plan for his succession and has failed in his efforts to establish a consensual government of senior, conservative party elders and younger, moderate mainlanders and Taiwanese. The incapacitation of Chiang's heir apparent, a moderate technocrat, in 1984 has led to a rise in influence of the conservative old guard, whose primary concern is maintaining the status quo. The conservative resurgence has increased the alienation of younger, more moderate politicians, both in the party and government who favor moderate political and economic reforms that will allow Taiwan to maintain its rapid economic growth while opening up the political arena to a broader spectrum of the population. As a result, factional infighting has increased, and heightened tensions among top party and government leaders have been reinforced by rumors that the President intends to reorganize the government later this spring. [ ]

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This memorandum was prepared by [ ] China Division, Office of East Asian Analysis. It was requested by Department of Treasury. Comments and questions are welcome and should be directed to Chief, Foreign Affairs Branch, OEA, [ ]

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The government has been rocked by a succession of political and economic controversies in the last year that have damaged its credibility. For example:

- Several coal mine disasters in the summer of 1984 led to calls in the Legislative Yuan for the resignation of the Premier and Minister of Interior.
- A series of sensational articles in the opposition press on the private lives of the Chiang family heightened tensions between the government and the predominantly Taiwanese opposition.
- The January 1985 disclosure that three members of Taiwan's Defense Intelligence Bureau were involved in the murder of Chinese-American writer Henry Liu seriously damaged the governments' "clean image."
- The forced resignation in February of the moderate head of the KMT called into question the President's intention to liberalize the party.
- The Tenth Cooperative Banking scandal that led to the arrest and conviction of a legislator and resignation of the Minister of Economic Affairs. [redacted]

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#### Foreign Affairs

At the same time, there has been a hardening of Taiwan's foreign policy line, particularly with regard to its unofficial relationship with United States, and its membership in international organizations. This hardening is a result of Taiwan's growing sense of diplomatic isolation, fed by:

- Improvements in US-China relations.
- Increased Chinese efforts to undermine Taiwan's diplomatic ties in Latin America.
- The improvement in unofficial relations between China and Singapore and South Korea.
- The signing of the China-UK accord on Hong Kong's future. [redacted]

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In addition, Taiwan's recent attempts to increase the "officiality" of its relationship with the United States probably is a result of Taipei's perception that the Reagan administration is sympathetic to its concerns and, with an intensive lobbying effort, might upgrade Taiwan's status in Washington. [redacted]

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Looking Down the Road

Despite these problems we believe the short-term outlook for Taiwan is generally good. Taiwan's economy has continued to expand, and its population enjoys an extremely high standard of living. President Chiang's health, however, injects an element of uncertainty. If Chiang dies without a viable succession arranged, we believe that factional infighting between the hard-line old guard and the moderate younger generation will escalate. Although a post-Chiang government probably will hew to policies established by Chiang, a struggle for control of the policy-making apparatus could jeopardize the prospects for moderate reforms. The political opposition on the island is splintered, however, and we do not believe they pose any significant threat to the stability of the regime. [REDACTED]

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